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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF
NACO WATER COMPANY FOR A RATE
INCREASE.

DOCKET NO. W-02860A-06-0002

PROCEDURAL ORDER

BY THE COMMISSION:

On January 3, 2006, Naco Water Company, LLC ("NWC" or "Company") filed the above-captioned rate application with the Arizona Corporation Commission ("Commission").

By Procedural Order dated March 13, 2006, the Commission established procedural guidelines and set the matter for hearing on September 14, 2006.

The Company mailed notice of the hearing to its customers on April 5, 2006.

By letter dated June 6, 2006, NWC filed a request to suspend the time clock. NWC reports that the consulting engineering firm that is assisting them with their loan request with the Arizona Water Infrastructure Finance Authority ("WIFA") had experienced difficulty responding to Staff's data requests because the engineering issues keep multiplying. The delay has been exasperated by the discovery of a sulfate problem caused by the Phelps Dodge mine. According to the Company, its need for financing has increased from approximately \$500,000 to \$2.5 million.

NWC and Staff participated in a telephonic procedural conference on June 21, 2006. At that time, NWC stated that it agreed to update the test year to year-end 2006, and that it would be able to have revised financial numbers for Staff within ten days at the latest. Staff believed that once it received the updated financial information, and assuming it was sufficient, it could produce a Staff Report within 60 days. Staff stated that a recent report by an engineering firm did not present the information Staff requested about phasing the capital improvements. Staff was concerned that its ability to file a thorough Staff Report depends on receiving information from the engineers. NWC is

1 concerned about the potential length of the delay in approving its loan request, as the Company is
2 currently hauling water. NWC thought that its engineers may be concerned that the Commission is
3 attempting to "piecemeal" the necessary capital improvements to the detriment of the system.

4 The developments in this case represent good cause for granting the Company's request to
5 suspend the time clock and current procedural schedule. This Company has long suffered from
6 financial problems. The above-captioned permanent rate case was mandated after the Commission
7 granted an emergency rate increase in Decision No. 67984 (July 18, 2005). We must balance the
8 needs of the Company to begin work on upgrading its infrastructure as quickly as possible with the
9 need for accurate information. Staff has indicated that it can complete a Staff Report in two months
10 (the Staff Report was due July 17, 2006). Consequently, we will extend the procedural schedule
11 approximately two months. The schedule we establish herein is premised on the Company delivering
12 sufficient updated financial information to Staff by the end of June. Any further delay may require
13 an additional extension. The parties need to cooperate in the exchange of information and are
14 encouraged to explore whether they can agree on the needed capital improvements, but to the extent
15 they cannot agree, any dispute over the scope of the requested relief or nature of capital
16 improvements should be addressed in testimony and argued at the hearing and should not affect the
17 exchange of information.

18 IT IS THEREFORE ORDERED that for the reasons set forth above, good cause exists to
19 suspend the time clock imposed by A.A.C. R14-2-103.

20 IT IS FURTHER ORDERED that the **hearing** in the above-captioned matter currently set to
21 commence on September 14, 2006, shall be continued to **November 8, 2006 at 10:00 a.m.**, or as
22 soon thereafter as is practical, at the Commission's offices, **Room 222**, 400 West Congress, Tucson,
23 Arizona 85701.

24 IT IS FURTHER ORDERED that **the Staff Report** and/or any direct testimony and
25 associated exhibits to be presented at hearing on behalf of Staff shall be reduced to writing and filed
26 on or before **September 1, 2006**.

27 IT IS FURTHER ORDERED that any **direct testimony** and associated exhibits to be
28 presented at hearing on behalf of intervenors shall be reduced to writing and filed on or before

1 **September 1, 2006.**

2 IT IS FURTHER ORDERED that any **response to the Staff Report** or rebuttal testimony and
3 associated exhibits to be presented at hearing by the Company shall be reduced to writing and filed
4 on or before **October 2, 2006.**

5 IT IS FURTHER ORDERED that any **surrebuttal testimony** and associated exhibits to be
6 presented by the Staff and/or intervenors shall be reduced to writing and filed on or before **October**
7 **23, 2006.**

8 IT IS FURTHER ORDERED that any rejoinder testimony and associated exhibits to be
9 presented at the hearing shall be presented orally at the hearing.

10 IT IS FURTHER ORDERED that any objections to any testimony or exhibits which have
11 been prefiled as of October 23, 2006, shall be made on or before **November 1, 2006.**

12 IT IS FURTHER ORDERED that any substantive corrections, revisions, or supplements to
13 pre-filed testimony shall be reduced to writing and filed no later than five days before the witness is
14 scheduled to testify.

15 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and
16 regulations of the Commission, except that through October 20, 2006, any objection to discovery
17 requests shall be made within 7 days¹ of receipt and responses to discovery requests shall be made
18 within 10 days of receipt; thereafter, objections to discovery requests shall be made within 5 days and
19 responses shall be made in 7 days;¹ the response time may be extended by mutual agreement of the
20 parties involved if the request requires an extensive compilation effort; and no discovery requests
21 shall be served after October 31, 2006.

22 IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel
23 discovery, any party seeking discovery may telephonically contact the Commission's Hearing
24 Division to request a date for a procedural hearing to resolve the discovery dispute; that upon such a
25 request, a procedural hearing will be convened as soon as practicable; and that the party making such
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28 ¹ "Days" means calendar days.

1 a request shall forthwith contact all other parties to advise them of the hearing date and shall at the
2 hearing provide a statement confirming that the other parties were contacted.²

3 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized
4 Communications) continues to apply to this proceeding and shall remain in effect until the
5 Commission's Decision in this matter is final and non-appealable.

6 IT IS FURTHER ORDERED that the time periods specified herein shall not be extended
7 pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

8 IT IS FURTHER ORDERED that this Procedural Order shall modify the Procedural Order of
9 March 13, 2006, but that any provision in the March 13, 2006 Procedural Order not changed herein
10 shall remain in effect.

11 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive
12 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

13 DATED this 28th day of June, 2006.

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JANE L. RODDA
ADMINISTRATIVE LAW JUDGE

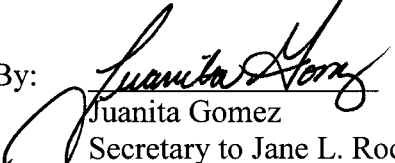
17 Copies of the foregoing mailed
18 this 28th day of June, 2006 to:

19 Naco Water Company, LLC
20 Attn: Bonnie L. O'Connor
21 P.O. Box 85160
Tucson, Arizona 85754

22 Christopher Kempley, Chief Counsel
23 Legal Division
24 ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

25 Ernest Johnson, Director
26 Utilities Division
27 ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

Arizona Reporting Service, Inc.
2627 N. Third Street, Suite Three
Phoenix, Arizona 85004-1103

By: 
Juanita Gomez
Secretary to Jane L. Rodda

28 ² The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before seeking Commission resolution of the controversy.